

VILLAGE OF LENNON
FINANCIAL STATEMENTS
JUNE 30, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Lennon	County Shiawassee/Genesee
Fiscal Year End June 30, 2006	Opinion Date October 27, 2006	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☐ ☒ The local unit is free of repeated comments from previous years.
 - ☐ ☒ The audit opinion is UNQUALIFIED.
 - ☐ ☒ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

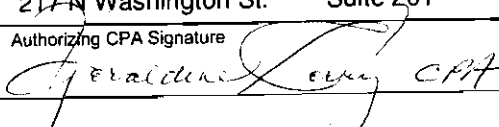
We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Demis & Wenzlick, P.C.		Telephone Number (989-723-8227)	
Street Address 217-N Washington St. Suite 201		City Owosso	State MI
Zip 48867		License Number 1101026880	
Authorizing CPA Signature 		Printed Name Geraldine Terry	

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INDEPENDENT AUDITOR'S REPORT

To the Honorable President
and Village Council
Village of Lennon, Michigan

We have audited the accompanying general-purpose financial statements of the Village of Lennon, Michigan, as of and for the year ended June 30, 2006. These general-purpose financial statements are the responsibility of the Village of Lennon management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and business-type activities as required by the Governmental Accounting Standards Board (GASB 34). Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. GASB 34 requires management's discussion and analysis which also has not been prepared.

In our opinion, except for the non-application of GASB 34, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Lennon as of June 30, 2006, and the results of its operations for the period then ended in conformity with accounting principles generally accepted in the United States of America.

Our examination was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Village of Lennon. The information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in my opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.



Certified Public Accountants

Owosso, Michigan
October 27, 2006

VILLAGE OF LENNON
COMBINED BALANCE SHEET - ALL FUNDS AND ACCOUNT GROUPS
JUNE 30, 2006

	General	Special Revenue	Capital Projects	Proprietary Fund Types Enterprise	Account Group General Fixed Assets	Account Group General Long-Term Debt
ASSETS:						
Cash	\$ 42,140	\$31,044	\$ 2,223	\$ 2,509	\$	\$
Accts. Rec.	6,412			14,701		
Due from Other Funds	78,802		18,600	576		
Special Assmts. Rec.						
Fixed Assets (Net of Accum Deprec)				285,334	276,545	
Amt. to be Provided for Retirement of Long-Term Debt	<u>\$127,354</u>	<u>\$31,044</u>	<u>\$20,823</u>	<u>\$303,120</u>	<u>\$276,545</u>	<u>\$67,196</u>
LIABILITIES:						
Accounts Payable	\$ 7,432	\$ 1,697	\$	\$ 209	\$	\$
Due to Other Funds				97,402		
Due to Taxpayers				3,545		
Long-Term Contracts Payable						
TOTAL LIABILITIES	<u>\$ 7,432</u>	<u>\$ 1,697</u>	<u>\$</u>	<u>\$101,156</u>	<u>\$</u>	<u>\$67,196</u>
FUND EQUITY:						
Invest. In General						
Fixed Assets	\$	\$	\$	\$	\$276,545	\$
Retained Earnings					201,964	
Fund balance	<u>119,922</u>	<u>29,347</u>	<u>20,823</u>			
TOTAL LIABILITIES & FUND EQUITY	<u>\$127,354</u>	<u>\$31,044</u>	<u>\$20,823</u>	<u>\$303,120</u>	<u>\$276,545</u>	<u>\$67,196</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF LENNON
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES INFUND BALANCES
YEAR ENDED JUNE 30, 2006

	<u>GENERAL FUND</u>			<u>SPECIAL REVENUE FUND TYPES</u>			<u>CAPITAL PROJECT FUND TYPES</u>		
REVENUES:	BUDGET	ACTUAL	ACTUAL (OVER) UNDER BUDGET	BUDGET	ACTUAL	ACTUAL (OVER) UNDER BUDGET	BUDGET	ACTUAL	ACTUAL (OVER) UNDER BUDGET
Property Taxes	\$ 93,090	\$ 84,849	\$ 8,241	\$	\$	\$	\$	\$	\$
State Shared Revenues	52,225	54,058	(1,833)	35,770	34,663	1,107			
Charges for Services	0	0	0						
Licenses and Permits	5,688	6,473	(785)						
Interest Income	200	781	(581)	85	230	(145)	0	15	0
Cable TV	0	8,138	(8,138)						
Equipment Rental	0	6,120	(6,120)						
Other Income	8,363	232	8,131						
TOTAL REVENUES	\$ 159,566	\$ 160,651	\$ (1,085)	\$ 35,855	\$ 34,893	\$ 962	\$ 0	\$ 15	\$ 0
EXPENDITURES:									
Village Council	\$ 39,075	\$ 38,108	\$ 967	\$	\$	\$	\$	\$	\$
Clerk	7,000	6,330	670						
Treasurer	6,800	6,823	(23)						
Hall and Grounds	8,162	8,126	36						
Police	87,600	90,432	(2,832)						
Building Inspector	3,980	3,864	116						
Public Utilities	7,500	7,119	381						
Library	6,400	6,496	(96)						
Highways and Streets	0	0	0	57,995	29,485	28,510			
TOTAL EXPENDITURES	\$ 166,517	\$ 167,298	\$ (781)	\$ 57,995	\$ 29,485	\$ 28,510	\$ 0	\$ 0	\$ 0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (6,951)	\$ (6,647)	\$ (304)	\$ (22,140)	\$ 5,408	\$ (27,548)	\$ 0	\$ 15	\$ 0
OTHER FINANCING SOURCES : (USES OF FUNDS)									
Transfers In	\$	\$ 0	\$	\$ 0	4,694	(4,694)	\$	\$	\$
Transfers Out		0		0	(4,694)	4,694			
(UNDER) EXPENDITURES AND OTHER SOURCES AND USES	\$ (6,951)	\$ (6,647)	\$ (304)	\$ (22,140)	\$ 5,408	\$ (27,548)	\$ 0	\$ 15	\$ 15
Fund Balance - June 30, 2005		126,569			23,939			20,797	
Fund Balance - June 30, 2006		119,922			29,347			20,812	

The accompanying notes are an integral part of the financial statements.

VILLAGE OF LENNON
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
REVENUES:			
Property Taxes	\$ 84,849	\$	\$
State Shared Revenue	54,058	34,663	
Licenses, Fines, Permits	6,473		
Interest Income	781	230	15
Other Income	6,352		
Cable TV	8,138		
TOTAL REVENUES	\$160,651	\$34,893	\$ 15
EXPENDITURES:			
Village Council	\$ 38,108	\$	\$
Elections			
Clerk	6,330		
Treasurer	6,823		
Hall & Grounds	8,126		
Police	90,432		
Building Inspector	3,864		
Public Utilities	7,119		
Library	6,496		
Highways & Streets		29,485	
TOTAL EXPENDITURES	\$167,298	\$29,485	\$
EXCESS OF REVENUES OVER EXPENDITURES (EXPENDITURES OVER REVENUES)	\$ (6,647)	\$ 5,408	\$ 15
Transfers In	\$ 0	\$ 4,694	\$ 0
Transfers Out	0	(4,694)	0
TOTAL OTHER FINANCING SOURCES (USES)	\$ 0	\$ 0	\$ 0
Excess of Revenues over Expenditures and Other Financing Sources	\$ (6,647)	\$ 5,408	\$ 15
Fund Balance 7-1-05	126,569	23,939	20,808
FUND BALANCE 6-30-06	<u>\$119,922</u>	<u>\$29,347</u>	<u>\$20,823</u>

The accompanying notes are an integral
 part of the financial statements.

VILLAGE OF LENNON
 COMBINED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS
 ALL PROPRIETARY FUND TYPES
 YEAR ENDED JUNE 30, 2006

REVENUES:	
Sewer Fees	\$ 47,302
Interest on Tap-Ins	61
Penalties	1,543
Interest Income/Other	98
TOTAL REVENUES	\$ 49,004
OPERATING EXPENSES:	
Administrative Wages	\$ 291
Social Security	55
Bank Charges & Misc.	1,151
Maintenance - WWS	34,783
Depreciation	11,620
TOTAL OPERATING EXPENSES	\$ 47,900
OPERATING INCOME (LOSS)	\$ 1,104
Retained Earnings July 1, 2005	<u>200,860</u>
RETAINED EARNINGS JUNE 30, 2006	<u>\$201,964</u>

The accompanying notes are an integral
 part of the financial statements.

VILLAGE OF LENNON
STATEMENT OF CASH FLOW
ALL PROPRIETARY FUND TYPES
YEAR ENDED JUNE 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:

Net Income (Loss)	\$ 1,104
Add (Deduct) Items not Affecting Cash:	
Depreciation	11,620
Increase in Receivables	(671)
Increase in Payables	(624)
(Decrease) in Due to Other Funds/Due Taxpayers	(21,455)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (10,026)

Cash and Cash Equivalents at the
Beginning of the Year

12,535

CASH AND CASH EQUIVALENTS AT THE
END OF YEAR

\$ 2,509

Disclosure of Accounting Policy:

For purposes of the Statement of Cash Flows, the Village considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF LENNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Lennon conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

FUND ACCOUNTING

The accounting of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories as follows:

GOVERNMENT FUNDS

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction or major capital facilities (other than those financed by proprietary funds and trust funds).

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) or providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

VILLAGE OF LENNON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FIXED ASSETS

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financial sources) and assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Asset Group, rather than in governmental funds. Public Domain ("infrastructure") general fixed assets consisting of certain improvements including buildings, but other than roads, bridges, curbs and gutters, streets, and sidewalks, drainage systems and lighting systems are capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

This account group is not a fund. It is concerned only with the measurement of financial position. It is not involved with measurement of results of operations.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

VILLAGE OF LENNON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FIXED ASSETS (CONTINUED)

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives used are as follows:

Fixed Assets (Enterprise Funds)	50 years
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BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds and Expendable Trust Funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts and sales taxes are considered "measurable" when in the hands of intermediary collecting government and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception of this general rule is accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued.

All proprietary funds are accounted for using the accrual basis method of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

VILLAGE OF LENNON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETS AND BUDGETARY ACCOUNTING

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the clerk submits to the Village Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted in the Village to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance.
4. The clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Village Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Projects Fund and Enterprise Funds.
6. Budgets for the general, special revenue and capital projects funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CASH AND INVESTMENTS

Investments are stated at cost or amortized cost, which approximated market.

SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

Short-term interfund loans are classified as "due from other funds" or "due to other funds" on the balance sheet. Transactions occurring between individual funds for goods provided or services rendered are also classified as "due to other funds" or "due from other funds" on the balance sheet.

RESTRICTED ASSETS

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for repayment are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

VILLAGE OF LENNON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ENCUMBRANCES

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting-under which purchase orders, contracts, or other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation-is utilized in the government fund types. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. There were no significant encumbrances at year end.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

POST EMPLOYMENT HEALTH CARE BENEFITS COBRA BENEFITS

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA) the township makes health care benefits available to certain former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. There are no participants in this program as of June 30, 2006.

COMPENSATION ABSENCES

The Village allows employees seven days of sick time per year, which cannot be accumulated beyond one year. Extended sick time is covered under a disability insurance policy through Shenandoah Life Insurance Company of which the Village pays 100% of the premiums. Earned vacation time is required to be used within the year.

No liability is accrued at June 30, 2006, as it is less than one year's liability.

LONG-TERM OBLIGATIONS

The portion of long-term debt expected to be financed from expendable available financial resources is recognized as a liability of a governmental fund when due. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities are expected to be financed from proprietary fund operations are accounted for in those funds.

COMPARATIVE DATA

Comparative (i.e. presentation of prior year totals by fund type) data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

VILLAGE OF LENNON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY TAXES

Property taxes attach an enforceable lien on property by the county. Taxes are levied on June 30, and payable on September 15. The Village bills and collects its own property taxes. Property tax revenues are recognized when levied to the extent that they result in current receivables. The Village is permitted by the Municipal Finance Law of the State to levy taxes up to 15 mills total. The Village Council has allocated 8.9223 mills for governmental services.

NOTE B - REPORTING ENTITY

For financial reporting purposes, in conformance with NCGA Statement No. 3, Defining the Governmental Reporting Entity, the Village of Lennon includes all funds, account groups, agencies, boards, commissions and authorities that are controlled by or dependent on the Village's executive or legislative branches (the Village Mayor or the Council, respectively). Control by or dependence on the Village was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Village obligations of the Village to finance any deficits that may occur or receipt of significant subsidies from the Village.

Based on the foregoing criteria, there were no organizations that needed to be included in the Village's annual report.

NOTE C - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	06-30-05			06-30-06
	<u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u>
Land	\$ 2,500	\$	\$	\$ 2,500
Bldgs. & Improve.	154,785			154,785
Mach. & Equip.	68,986	36,485	14,000	91,471
Furn. & Fixt.	23,289	4,500	0	27,789
	<u>\$249,560</u>	<u>\$40,985</u>	<u>\$14,000</u>	<u>\$276,545</u>

VILLAGE OF LENNON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2006

NOTE D - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18 (a), as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated.

In the body of the financial statements, the Villages actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Village for the budgetary funds were adopted to the line item level.

During the year ended June 30, 2006, the Village incurred expenditures in certain budgetary line items which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Appropriated</u>	<u>Actual</u>	<u>Actual Over Appropriated</u>
General Fund:			
Treasurer	\$ 6,800	\$ 6,823	\$ 23
Police	87,600	90,432	2,832
Sewer Fund:			
Sewer Expenditures	36,910	47,900	10,990

NOTE E - CASH AND CERTIFICATES OF DEPOSIT

The Village's deposits at June 30, 2006, consisted of cash and certificates of deposit at one financial institution.

<u>Institution A</u>	<u>Amount</u>	<u>FDIC Insured</u>	<u>Uninsured</u>
Cash	\$77,916	\$77,916	\$ 0

NOTE F - SPECIAL ASSESSMENT FUND

The Government Accounting Standards Board Statement #6, eliminates the reporting of special assessment funds separately in the financial statements. The special assessment fund has been combined with existing proprietary funds in the accompanying financial statements. Deferred revenues were combined with retained earnings of the proprietary funds.

VILLAGE OF LENNON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2006

NOTE G - INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2006, individual interfund receivables and payable were:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$78,802	\$ 0
Sewer Fund	0	97,402
Revolving & Improve.	18,600	0
	<u>\$97,402</u>	<u>\$97,402</u>

NOTE H - GENERAL LONG-TERM DEBT

On June 9, 2003, the Village entered into an agreement with Venice Township to purchase the Township's former fire hall. The purchase price is \$75,250 to be paid in seven equal installments of \$10,750. The first payment is to be July 1, 2003 and annually thereafter. This is a non-interest bearing contract.

The annual principal requirements are as follows:

2006	\$10,750
2007	10,750
2008	10,750
2009	10,750
	<u>\$43,000</u>

During March 2006, the Village entered into a lease/purchase agreement with GMAC for a 2006 GMC Sierra pickup truck to be used by the DPW. The lease calls for five payments of \$7,313.54 including interest at 8.05%. The first payment was made on March 6, 2006. The annual principal and interest requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 5,365.72	\$ 1,947.82	\$ 7,313.54
2008	5,797.67	1,515.87	7,313.54
2009	6,264.38	1,049.16	7,313.54
2010	6,768.66	544.88	7,313.54
	<u>\$24,196.43</u>	<u>\$ 5,057.73</u>	<u>\$29,254.16</u>

FINANCIAL STATEMENTS
OF
INDIVIDUAL FUNDS

GENERAL FUND

To account for resources traditionally associated with governmenta which are not required to be accounted for in another fund.

VILLAGE OF LENNON
GENERAL FUND
BALANCE SHEET
JUNE 30, 2006

ASSETS

Cash	\$ 42,140
Due from Other Funds	78,802
Accounts Receivable	<u>6,412</u>
	<u>\$127,354</u>

LIABILITIES AND FUND BALANCE

Accounts Payable	\$ 5,381
Payroll Taxes Payable	2,051
Fund Balance	<u>119,922</u>
	<u>\$127,354</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF LENNON
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	Actual (Over) Under <u>Budget</u>
REVENUES:			
Current Property Taxes	\$ 93,090	\$ 84,849	\$ 8,241
State Shared Rev.	52,225	54,058	(1,833)
Equipment Rental	0	6,120	(6,120)
Licenses, Permits, Fines	5,688	6,473	(785)
Interest Income	200	781	(581)
Cable TV	0	8,138	(8,138)
Other Income	<u>8,363</u>	<u>232</u>	<u>8,131</u>
TOTAL REVENUES	\$159,566	\$160,651	\$ (1,085)
EXPENDITURES:			
Village Council:			
Salaries	\$	\$ 3,025	\$
Social Security		251	
Supplies & Misc.		4,419	
Legal & Acctg.		9,848	
Insurance		1,956	
Publishing		545	
Principal Pymt - LTD		<u>18,064</u>	
TOTAL VILLAGE COUNCIL	\$ 39,075	\$ 38,108	\$ 967
Clerk:			
Salary	\$	\$ 5,875	\$
Social Security		455	
Insurance, Mileage, & Misc.			
TOTAL CLERK	\$ 7,000	\$ 6,330	\$ 670
Treasurer:			
Salary	\$	\$ 6,308	\$
Travel & Misc.		37	
Social Security		<u>478</u>	
TOTAL TREASURER	\$ 6,800	\$ 6,823	\$ (23)

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF LENNON
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (CONTINUED)
YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Actual (Over) Under Budget</u>
EXPENDITURES:			
Hall & Grounds:			
Maintenance Salaries/FICA	\$	\$ 942	\$
Supplies & Maint.		5,209	
Insurance		124	
Utilities		<u>1,851</u>	
TOTAL HALL & GROUNDS	\$ 8,162	\$ 8,126	\$ 36
Police:			
Salary	\$	\$ 57,017	\$
Payroll Taxes		5,775	
Insurance		10,550	
Gas & Oil		2,395	
Supplies & Misc.		6,512	
Maintenance		3,594	
Utilities		<u>4,589</u>	
TOTAL POLICE	\$ 87,600	\$ 90,432	\$ (2,832)
Building Inspector:			
Salaries	\$	\$ 3,589	\$
Social Security		<u>275</u>	
TOTAL BUILDING INSPECTOR	\$ 3,980	\$ 3,864	\$ 116
Public Utilities:			
Street Lights	\$	\$ 7,119	\$
TOTAL PUBLIC UTILITIES	\$ 7,500	\$ 7,119	\$ 381
Library:			
Salaries & Maintenance	\$	\$ 874	\$
Insurance		123	
Utilities		1,851	
Social Security		67	
Maintenance & Misc.		<u>3,581</u>	
TOTAL LIBRARY	\$ 6,400	\$ 6,496	\$ (96)
TOTAL EXPENDITURES	\$ <u>166,517</u>	\$ <u>167,298</u>	\$ <u>(781)</u>
EXCESS OF REVENUES OVER (UNDER)			
EXPENDITURES	\$ <u>(6,951)</u>	\$ (6,647)	\$ <u>(304)</u>
Fund Balance July 1, 2005		<u>126,569</u>	
FUND BALANCE JUNE 30, 2006		<u>\$119,922</u>	

The accompanying notes are an integral
part of the financial statements.

SPECIAL REVENUE FUNDS

MAJOR STREET FUND

Major Street Fund is used to receive all Major Street monies paid to the Village by the state to account for monies received from special tax levies for street improvement purposes, to account for monies received from General Fund contributions and to account for construction, maintenance and other authorized operations to all streets classified as Major Street.

LOCAL STREET FUND

Local Street Fund is used to receive all local street monies paid to the Village by the state, to account for monies, received from special tax levies from General Fund contributions and to account for construction, maintenance and other authorized operations to all streets classified as Local Streets.

VILLAGE OF LENNON
 COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS
 JUNE 30, 2006

	Major Street <u>Fund</u>	Local Street <u>Fund</u>	<u>Combined</u>
ASSETS			
Cash in Bank	\$13,100	\$17,944	\$31,044
	<u>\$13,100</u>	<u>\$17,944</u>	<u>\$31,044</u>
 LIABILITIES AND FUND BALANCE			
Accounts Payable	\$ 912	\$ 785	\$ 1,697
Fund Balance	<u>12,188</u>	<u>17,159</u>	<u>29,347</u>
	<u>\$13,100</u>	<u>\$17,944</u>	<u>\$31,044</u>

The accompanying notes are an integral
 part of the financial statements.

VILLAGE OF LENNON
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2006

	Major Street Fund	Local Street Fund	<u>Combined</u>
REVENUES:			
State Shared Revenues	\$ 22,462	\$ 12,201	\$ 34,663
Interest Income	<u>91</u>	<u>139</u>	<u>230</u>
TOTAL REVENUES	\$ 22,553	\$ 12,340	\$ 34,893
EXPENDITURES:			
Highways & Streets	\$ <u>14,049</u>	\$ <u>15,436</u>	\$ <u>29,485</u>
TOTAL EXPENDITURES	\$ 14,049	\$ 15,436	\$ 29,485
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 8,504	\$ (3,096)	\$ 5,408
OTHER FINANCING SOURCES (USES) OF FUNDS:			
Transfers In	\$ 0	\$ 4,694	\$ 4,694
Transfers Out	<u>(4,694)</u>	<u>0</u>	<u>(4,694)</u>
TOTAL OTHER FINANCING SOURCES (USES)	\$ <u>(4,694)</u>	\$ <u>4,694</u>	\$ <u>0</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES) OF FUNDS	\$ 3,810	\$ 1,598	\$ 5,408
Fund Balance July 1, 2005	<u>8,378</u>	<u>15,561</u>	<u>23,939</u>
FUND BALANCE JUNE 30, 2006	\$ <u>12,188</u>	\$ <u>17,159</u>	\$ <u>29,347</u>

The accompanying notes are an integral
 part of the financial statements.

VILLAGE OF LENNON
MAJOR STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	Actual (Over) Under <u>Budget</u>
REVENUES:			
Motor Vehicle Highway Funds	\$ 24,000	\$ 22,462	\$ 1,538
Interest Income	<u>50</u>	<u>91</u>	<u>(41)</u>
TOTAL REVENUES	\$ 24,050	\$ 22,553	\$ 1,497
EXPENDITURES:			
Wages	\$	\$ 2,690	\$
Social Security		178	
Insurance		344	
Repairs, Maint & Supplies		2,443	
Gas & Oil		2,395	
Equipment Rental		3,057	
Signs		63	
Paving/Road Maint.		1,563	
Truck Maintenance		<u>1,316</u>	
TOTAL EXPENDITURES	\$ 37,570	\$ 14,049	\$ 23,521
EXCESS OF REVENUES OVER EXPENDITURES	\$ (13,520)	\$ 8,504	\$ (22,024)
OTHER FINANCING SOURCES (USES):			
Transfers Out	<u>0</u>	<u>(4,694)</u>	<u>(4,694)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES	\$ <u>(13,520)</u>	\$ 3,810	\$ <u>(17,330)</u>
Fund Balance July 1, 2005		<u>8,378</u>	
FUND BALANCE JUNE 30, 2006		\$ <u>12,188</u>	

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF LENNON
LOCAL STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	Actual (Over) Under <u>Budget</u>
REVENUES:			
Motor Vehicle Highway Funds	\$ 11,770	\$ 12,201	\$ (431)
Interest Income	<u>35</u>	<u>139</u>	<u>(104)</u>
TOTAL REVENUES	\$ 11,805	\$ 12,340	\$ (535)
EXPENDITURES:			
Wages	\$	\$ 2,390	\$
Social Security		156	
Insurance		344	
Repairs & Maint.		622	
Gas & Oil		2,394	
Rental Expense		3,063	
Traffic Signal		0	
Paving & Road Maint.		4,733	
Supplies & Misc.		<u>1,734</u>	
TOTAL EXPENDITURES	\$ 20,425	\$ 15,436	\$ 4,989
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES			
	\$ (8,620)	\$ (3,096)	\$ (5,524)
OTHER FINANCING SOURCES:			
Transfers In	<u>0</u>	<u>4,694</u>	<u>(4,694)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)			
	\$ <u>(8,620)</u>	\$ 1,598	\$ <u>(10,218)</u>
Fund Balance July 1, 2005		<u>15,561</u>	
FUND BALANCE JUNE 30, 2006		\$ <u>17,159</u>	

The accompanying notes are an integral
part of the financial statements.

CAPITAL PROJECTS FUND

Revolving and Improvement Fund

This fund is used to account for monies which have been set aside to provide for expenditures in connection with service expansions resulting from growth of the Village.

VILLAGE OF LENNON
REVOLVING AND IMPROVEMENT FUND
BALANCE SHEET
JUNE 30, 2006

ASSETS

Cash	\$ 2,223
Due from Sewer Fund	<u>18,600</u>
	<u>\$20,823</u>

FUND BALANCE

Fund Balance	<u>\$20,823</u>
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The accompanying notes are an integral
part of the financial statements.

VILLAGE OF LENNON
 REVOLVING AND IMPROVEMENT FUND
 STATEMENT OF CASH REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	Actual (Over) Under <u>Budget</u>
REVENUES:			
Interest Income	\$ 0	\$ 15	\$ (11)
TOTAL REVENUES	\$ 0	\$ 15	\$ (11)
 EXPENDITURES:			
Bank Fees	\$ 0	\$ 0	\$ 0
 EXCESS OF REVENUES OVER EXPENDITURES (EXPENDITURES OVER REVENUES)	 \$ 0	 \$ 15	 \$ (11)
 Fund Balance July 1, 2005		<u>20,808</u>	
 FUND BALANCE JUNE 30, 2006		\$ <u>20,823</u>	

The accompanying notes are an integral
 part of the financial statements.

ENTERPRISE FUND

Sanitary Sewer Fund - To account for the provision of sewer services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration (utility director), operations, maintenance, financing and related debt service, and billing and collection.

VILLAGE OF LENNON
SANITARY SEWER FUND
BALANCE SHEET
JUNE 30, 2006

ASSETS

CURRENT ASSETS:

Cash in Bank		\$ 2,509
Accounts Receivable		14,701
Special Assessment Receivable		<u>576</u>
TOTAL CURRENT ASSETS		\$ 17,786

LONG-TERM ASSETS:

Special Assessment Receivable

PROPERTY, PLANT AND EQUIPMENT:

Sewer System	\$581,011	
Accumulated Depreciation	<u>295,677</u>	<u>285,334</u>
		<u>\$303,120</u>

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES:

Accounts Payable	\$ 209
Due to Other Funds	97,402
Due to Taxpayers	<u>3,545</u>
TOTAL CURRENT LIABILITIES	\$101,156

FUND EQUITY:

Retained Earnings	<u>201,964</u>
	<u>\$303,120</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF LENNON
SANITARY SEWER FUND
STATEMENT OF REVENUES, EXPENSES AND
RETAINED EARNINGS BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	Actual (Over) Under <u>Budget</u>
OPERATING REVENUES:			
Sewer Fees	\$ 30,271	\$ 47,302	\$ (17,031)
Interest on Tap-In Fees	20	61	(41)
Sewer Penalties	685	1,543	(858)
Interest Income	76	98	(22)
Tap In Fees	<u>2,200</u>	<u>0</u>	<u>2,200</u>
TOTAL OPERATING REVENUES	\$ 33,252	\$ 49,004	\$ (15,752)
OPERATING EXPENSES:			
Administrative Wages	\$	\$ 291	\$
Social Security		55	
Bank Charges & Misc.		1,151	
Maintenance - WWS		34,783	
Depreciation		<u>11,620</u>	
TOTAL OPERATING EXPENSES	\$ <u>36,910</u>	\$ <u>47,900</u>	\$ (10,990)
NET INCOME (LOSS)	\$ (3,658)	\$ 1,104	\$ (4,762)
OTHER SOURCES (USES) OF FUNDS:			
Transfer In	<u>0</u>	<u>0</u>	<u>0</u>
NET INCOME AFTER OTHER SOURCES (USES) OF FUNDS	\$ <u>(3,658)</u>	\$ 1,104	\$ <u>(4,762)</u>
Retained Earnings July 1, 2005		<u>200,860</u>	
RETAINED EARNINGS JUNE 30, 2006		<u>\$201,964</u>	

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF LENNON
STATEMENT OF CASH FLOW
SANITARY SEWER FUND
YEAR ENDED JUNE 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:

Net Income (Loss)	\$ 1,104
Add (Deduct) Items not Affecting Cash:	
Depreciation	11,620
(Increase) in Receivables	(671)
Increase in Accounts Payable	(624)
(Decrease) in Due to Other Funds/Due Taxpayers	(21,455)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$(10,026)

Cash and Cash Equivalents at the Beginning of Year	<u>12,535</u>
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CASH AND CASH EQUIVALENTS AT END OF THE YEAR	\$ <u>2,509</u>
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SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash Paid During the Year for:	
Interest	\$ <u>0</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

For purposes of the Statement of Cash Flows, the Village considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The accompanying notes are an integral part of the financial statements.

GENERAL FIXED ASSET ACCOUNT GROUP

To account for fixed assets not used
In proprietary fund operations.

VILLAGE OF LENNON
GENERAL FIXED ASSET ACCOUNT GROUP
BALANCE SHEET
JUNE 30, 2006

	<u>6-30-05</u>	<u>Additions</u>	<u>Deletions</u>	<u>6-30-06</u>
Land	\$ 2,500	\$ 0	\$ 0	\$ 2,500
Bldgs. & Imp.	154,785	0	0	154,785
Mach. & Equip.	68,986	36,485	14,000	91,471
Furn. & Fxt.	<u>23,289</u>	<u>4,500</u>	<u>0</u>	<u>27,789</u>
	<u>\$249,560</u>	<u>\$40,985</u>	<u>\$14,000</u>	<u>\$276,545</u>

The accompanying notes are an integral part of the financial statements.

GENERAL LONG-TERM DEBT ACCOUNT GROUP

To account for long-term contract for the
Purchase of Police and DPW building.

VILLAGE OF LENNON
GENERAL LONG-TERM DEBT ACCOUNT GROUP
BALANCE SHEET
JUNE 30, 2006

ASSETS

Amount to be Provided for Retirement of Contracts	<u>\$67,196</u>
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LIABILITIES

Contracts Payable	<u>\$67,196</u>
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The accompanying notes are an integral
part of the financial statements.

VILLAGE OF LENNON
CONTRACTS PAYABLE - POLICE/DPW BUILDING
JUNE 30, 2006

<u>Date</u>	<u>Principal Payment</u>
7-1-06	\$10,750
7-1-07	10,750
7-1-08	10,750
7-1-09	10,750
	<u>\$43,000</u>

This is an interest free contract.

	<u>Lease Principal Payment</u>
3-06-07	\$ 5,366
3-06-08	5,798
3-06-09	6,264
3-06-10	6,768
	<u>\$24,196</u>

Interest rate is 8.05%

The accompanying notes are an integral
part of the financial statements.



DEMIS and WENZLICK, P.C.

Certified Public Accountants

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**Members of the Village Council
Village of Lennon
Lennon, Michigan**

In compliance with the provisions of Section 11, Paragraph 2, of Act 2, Public Acts of 1968, we wish to render our report of comments and recommendations which were formulated as a result of the audit our firm performed on the financial statements of the Village of Lennon for the year ended June 30, 2006.

As a result of our audit of the Village's financial statements, we make the following comments:

PERSONAL PROPERTY TAXES

Delinquent personal property taxes are not paid by the county. It is the Village's responsibility to collect these taxes. There should be more effort to collect these unpaid taxes from prior years. Reports should be given to the council that give the status of these delinquents.

SEWER FUND

During our audit we noted continued decreases in cash and fund balance for the Sewer Enterprise Fund.

It is important the Village have adequate cash flows to meet future maintenance and other expenses.

We recommend the Village Council review the current user fees and consider an increase to improve cash flows in the fund.

BUDGET

The Michigan Public Act 621 of 1978, includes compliance requirements in budgeting. Expenditures, under this act, cannot exceed the budget. Expenditures, with the definition of accrual accounting includes any accounts payable at June 30. Expenditures also includes any contractual work incurred during the current year, even if there is no obligation to pay for several years.

The total budgeted expenditures should not exceed the total budgeted revenues plus beginning fund balance.

Expenses should be reviewed prior to year end and the budget amended to include all expenses of the period, including transfers to other funds.

We wish to thank the Council for the excellent cooperation we received in performing the Village audit. If we can be of any further assistance to the Village in any future matters, please do not hesitate to contact us.

Sincerely yours,

Dennis and Margie, P.C.

Certified Public Accountants

October 27, 2006